



STATE BOARD OF EQUALIZATION

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Executive Director

August 25, 1992

Dear Mr.

This is in response to your August 14, 1992, letter concerning Salinas Valley Memorial Hospital District, its recent acquisition of a 24.05% interest in real property in Salinas, and the availability of property tax exemption for the District's interest.

Per your letter, the District purchased its interest in the property as part of an expansion. The property was owned by four physicians and was owned as tenants in common pursuant to a written agreement. The building contains four separate suites, each of which was used for office space by one of the owner/physicians. The District's acquisition is one of these suites. The property is still held in a tenancy in common and the District intends to use its portion of the property for hospital purposes.

The Monterey County Assessor's Office informed the District that it would be liable for property tax on its interest in the property until such time as it might acquire a 100% interest therein. Apparently, however, it was unable to find any statutory authority for that position, and you state that you also have been unable to find any such authority. Thus, you ask that we confirm that there is no such statutory authority and that the District's interest in the property is exempt from property taxation or, if such authority does exist, that we advise what it is.

As you are aware, Article XIII, Section 3(b) of the California Constitution states that property owned by a local government, with certain exceptions, is exempt from property taxation. While we are not aware of authority for the proposition that only property in which a local government has a 100% interest is exempt from property taxation, we have, in the past, concluded

Mr.

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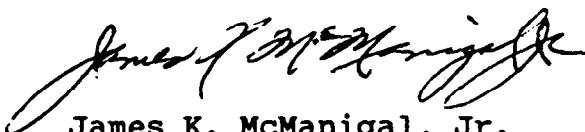
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that the University of California's 32.5% interest in one of its properties was exempt from property taxation. See our May 4, 1973, letter from Mr. John H. Knowles to Mr. H. W. Johnson, copy enclosed. Similarly, in California Academy of Sciences v. Fresno County, 192 Cal.App. 3d 1436, the District Court of Appeal held that under an "ownership" exemption provision comparable to Article XIII, Sections 3(a) and 3(b), namely, Article XIII, Section 4(c), California Academy of Science's 33-1/3% interest in one of its properties was exempt from property taxation.

In view thereof, in our opinion, interests in real properties owned by local governments and which are within their boundaries are exempt from property taxation under Article XIII, Section 3(b), whether 100% interests or less than 100% interests.

The views expressed in this letter are, of course, advisory only and are not binding upon the assessor of any county since it is county assessors who administer the local government property exemption. You may wish to consult the Monterey County Assessor's Office in order to ascertain whether the District's interest in the property will be exempted, consistent with conclusion stated herein.

Very truly yours,



James K. McManigal, Jr.
Senior Tax Counsel

JKM:jd/and.sis

Enclosures

cc: Honorable Bruce Reeves
Monterey County Assessor
Mr. John W. Hagerty
Mr. Verne Walton
Mr. Jim Barga